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September 2, 2003

ORIGINAL

EX PARTE COMMENTS  
RECEIVED

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Marlene H. Dortch, Secretary  
Office of the Secretary  
Federal Communications Commission  
445 12th Street, SW, CY-B402  
Washington, DC 20554

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

**Re: Ex Parte Comments to FCC Staff Study of Universal Service  
Fund CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116,  
98-170, NSD File No. L-00-72**

Dear Ms. Dortch:

On behalf of the National Association of Development Organizations (NADO), I am pleased to submit these *ex parte* comments regarding proposed changes to the collection methodology of the universal service fund.

There should be no doubt that the role of universal service in helping to fund services for otherwise ignored or neglected portions of America has been a successful one. In the United States it is estimated that telephone service has an 89% penetration rate in low-income and rural households. While the digital divide is still in existence, there are statistics that indicate some improvements toward ending digital disparity.

Lately, there have been disconcerting announcements that a depletion is taking place in the universal service fund. According to some reports, the changes that have been occurring in the world of telecommunications, through technology advances and customer demand, have decreased some business profit and increased other types of profit. Some projections foretell a continuing trend in a downward direction. Whether or not those prognostications are correct is anyone's guess. Upon careful consideration, no one really knows what the trends or the newest inventions actually will be in the telecommunications market. Who among us knew 10-12 years ago that so many teenagers would have beepers, cell phones, or computers? Just 5 years ago, did we know that Wi-Fi was going to exist, let alone become a hot consumer item? It seems that the one thing we can count on is the constant state of fast-paced change, and a wider array of choices for people to communicate with each other.

Because of consumer demand, companies are offering bundled telecommunications services. With bundling, or the grouping together of services at discounted rates (the more you buy, the more you save), it is more difficult to differentiate between intrastate and interstate usage. There is less emphasis on that need based upon consumer response. Between consumer driven selections and the 1999 court decision removing FCC jurisdiction over intrastate service, there is less motivation for the companies to differentiate between interstate and intrastate connections.

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With all of the major advances in technology, consumer demands, changes in business policy that have evolved over the recent lifetime of telecommunications, there is a strong temptation for the FCC to focus on so many more details of the telecommunications infrastructure.

A fine example of this detail is in a recently published FCC Staff Study that changes the formulation of contribution into the fund to a connection based system. Upon closer examination, the study reveals some very disconcerting numbers. By the year 2007, under a connection based system, between 67 and 68% of the contribution to the fund will come from residential users. By changing the onus of responsibility from one type of carrier to another, the placement of the burden of responsibility of payment transfers squarely onto the shoulders of the end-user, residential customers who are small home owners, or renters, apartment dwellers, and regular folks. This is unacceptable and is a direct affront to the '96 Telecommunications Act itself.

The major fluctuations in the telecommunications industry have the FCC and the Congress continually and repeatedly scrutinizing the USF formulas to make them work with current market conditions. Every time the FCC examines the various nuances, the collection methodology is tweaked into conformity with the conditions of the moment. Sometimes it works for a brief period of time, most often it must be revisited.

Here is a suggestion that the FCC takes a more common sense approach to this situation. A fund collection system based upon revenue to the phone companies is a consumer oriented methodology. It is based upon the service that any given consumer can afford to pay for the prearranged service plan provided by a telecommunications company. Companies contribute to the Universal Service Fund based upon the projected payments received from their end-user customers. This is a fair and equitable collection of funds by any standard. And it is the current means of collection.

If the FCC stays the course of revenue based collection methodology, and is allowed to collect USF fees based upon a percentage of the total combined revenue stream of each and every telecommunications company, then the problem of depleting USF funds is already solved.

A revenue-based system to which all telecommunications companies contribute is the most reasonable because it is less intrusive to the business details; it treats all companies equally, and it complies with the original intent of the law. A revenue based system with moderate changes has the best chance to remain equitable and non-discriminatory. Even in the most volatile market environments with major shifts in customer base, a "specific, predictable, and sufficient" Universal Service Fund is more assured.

We respectfully suggest that the FCC retain its revenue based collection methodology and reject the connection based proposals.

Sincerely,

A handwritten signature in black ink, reading "Aliceann Wohlbruck". The signature is fluid and cursive, with the first name "Aliceann" being more prominent than the last name "Wohlbruck".

Aliceann Wohlbruck  
Executive Director